



**Mayor Jerry Sanders  
Remarks in Anticipation of the Kroll Report  
Tuesday, August 8, 2006**

President Peters, Honorable Members of the City Council and the City Attorney.

In just a few moments, the representatives from Kroll will present their long awaited report on the events that threw our City into chaos.

This City deserves a measure of peace, harmony and consensus. And while I understand that we still have a long road to travel, it's my belief that this report begins that journey.

For those watching on TV, a copy of the report will be the City's website later today at [www.sandiego.gov](http://www.sandiego.gov).

I want to begin today's meeting by setting context for the series of events that are about to unfold.

It will be tempting to allow previous controversy about this report to sidetrack us from the value and significance of it.

While the report – and the remediation that I understand to be part of it -- are important, what the report **represents** may be even more important to this City.

That is, the chance to once again to be masters of our own fate and destiny.

It is well documented at this point that the release of the Kroll report is a precondition to the release by KPMG of audited financial statements for 2003. The statements for 2004 and 2005 would then follow.

These developments will allow us to once again have access to public credit markets so that we can make critical improvements to our infrastructure and begin stabilizing our city's finances.

Accordingly, if our common goal is to get the City back on track, the most important part of today's meeting will come **after** Kroll has presented their report.

It will come when I call a representative from KPMG up to this podium and ask the following two questions:

Has the report, as presented by Kroll, fulfilled your requirement for a fair and thorough investigation into the City's past financial reporting and accounting practices?

And are you now prepared to complete your field work in order to issue audited financial statements for FY2003?

So, Mr. President, I would ask for your permission to do just that following Kroll's presentation.

Assuming that KPMG's answer is positive, I believe that this report will be a significant – in fact, pivotal – step toward regaining our financial standing.

I have not seen or read the Kroll report. Like you, I will be hearing Kroll's findings and final recommendations for the first time today. Consequently, I will not be prepared to comment on specific components of the report today.

Over the course of the next several weeks however, my staff and I will be analyzing the report in great detail. I will carefully consider all of the remedial recommendations made by Kroll.

Because of the importance I place in moving forward decisively, I have asked the City's CFO, Jay Goldstone, to immediately convene the relevant City professionals, including the Council's Independent Budget Analyst, to formulate a plan and timeline for the implementation of the various remedial actions.

Then, on August 24<sup>th</sup>, it is my intention to announce this recommended work plan, along with timelines for the implementation of the remedial actions. At this same time, I also plan to announce the timeframes for the release of the various audits. As you can appreciate, the contents of the report may impact our timeline for accessing the public credit markets.

There may be issues that we have to run to ground. We will need to let the dust settle for a couple of weeks and allow our staff to analyze the report and identify all of those issues.

Our remedial actions work plan will be docketed for Council consideration and approval on Tuesday, September 19<sup>th</sup>.

The City has paid a high price for this report – both literally and figuratively – and I intend to make sure that this never happens again.

The way you do that is by accepting ownership for the problems of the past and the solutions to them. That will happen at the September 19<sup>th</sup> Council meeting.

I have every confidence that this City Council and this City Attorney are committed to successfully implementing the necessary remedial actions. I plan to work collaboratively with you to make sure this happens.

The past three years have cost this City millions of dollars in missed opportunities. It has also unfortunately affected the quality of life of our citizens in ways that cannot be fully quantified.

Important capital projects have been put on hold. As a result, their costs have gone up. The costs of borrowing and construction materials have both increased significantly.

Reliable financial information has not been available, and as a result the City has, in some cases, had to pay more to access private funding sources.

All in all, it's been a mess.

I realize it's unlikely that all will agree with the conclusions in this report. Some may, in fact, criticize it and call it incomplete. Some may wish to rehash the harrowing process that the City underwent to receive this work product.

I acknowledge and understand that possibility.

I am a latecomer to this process on two fronts. I wasn't leading this City when the problems happened. And I also wasn't here when the contract with Kroll was signed.

But to me, all of that is less important than the fact that we have the report today, and may now be able to move the City forward. In the big picture, everything else is a detail to be sorted out later.

I also realize that some will use the report to point fingers of blame. But that won't be my role.

The voters did not elect me to assess blame. It's my fervent belief that our citizens are less interested in yesterday than they are in tomorrow – they and I want to make sure that the mistakes of the past are not repeated.

My job is to move the City forward, and to do that, I will need to work collaboratively with the City Council and the City Attorney.

So, I end where I began. The release of this report will hopefully put a very unfortunate chapter of this City's history behind us.

It's not a chapter that we can afford to repeat, so we must learn from this experience as we move our City into the next phase of its history and prosperity.

Mr. President, thank you for this opportunity address the Council. And once again, following the report by Kroll – and before public comment – I would appreciate the opportunity to return to the podium to address my questions to KPMG.

Thank you.

## **Following Kroll Report**

As I said I would do, I would now like to call up Mr. Bill Morris from KPMG .

Mr. Morris. You have had an opportunity to listen to the Kroll firm's presentation of their report. It is important that I ask you – and that you answer, on behalf of your firm – two important questions on the record.

They are straight forward questions central to why we hired Kroll:

Has the report, as presented by Kroll, fulfilled your requirements for a fair and thorough investigation into the City's past financial reporting and accounting practices?

And are you now prepared to complete your field work in order to issue audited financial statements for FY2003?